

## Message Text

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PAGE 01 JAKART 06153 120413Z  
ACTION EA-12

INFO OCT-01 ISO-00 ONY-00 SS-15 SSO-00 /028 W  
-----077644 120420Z /21 R  
O 120314Z MAY 78  
FM AMEMBASSY JAKARTA  
TO SECSTATE WASHDC IMMEDIATE 8702

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E.O. 11652: N/A  
TAGS: EFIN, BEXP, ID  
SUBJECT: BARDACH CALL ON EXIM CHAIRMAN MOORE

REF: STATE 119845

1. FIRST ORDER OF PRIORITY FOR BARDACH IN HIS MEETING WITH EXIM CHAIRMAN MOORE IS TO IMPRESS UPON MOORE IMPORTANCE WE AND GOI ATTACH TO EARLY VISIT TO INDONESIA BY EXIM CHAIRMAN. PROJECTS ARE STARTING TO MOVE AND WITH VERY SUCCESSFUL VICE PRESIDENTIAL VISIT NOW BEHIND US, WE FEEL IT IS IMPORTANT TO BUILD ON THE MOMENTUM THAT VISIT DEVELOPED. IT HAS BEEN MORE THAN YEAR AND ONE-HALF SINCE ANYONE FROM EXIM HAS VISITED HERE; MORE THAN THREE YEARS SINCE A DIRECTOR-LEVEL VISIT.

2. ALTHOUGH THERE ARE A NUMBER OF MAJOR PROJECTS, EITHER NEW OR REACTIVATED, IN ADVANCE STAGES OF PREPARATION THUS FAR FEW HAVE REACHED THE POINT WHERE EXIM BANK HAS BEEN ASKED TO ISSUE PRELIMINARY COMMITMENT. EXIM HAS BEEN HELPFUL TO PROSPECTIVE US SUPPLIERS ON SOME OF THESE MAJOR PROJECTS BY ISSUING TO THEM "LETTERS OF INTEREST" INDICATING BANK'S WILLINGNESS TO CONSIDER FINANCING AT APPROPRIATE TIME. SUCH LETTERS HAVE BEEN ISSUED I.E. FOR NORTHER SUMATRA CEMENT PLANT EXPANSION, BUKIT ASAM COAL PROJECT, BINTAN ISLAND ALUMINA FACILITY, AND EAST KALIMANTAN FERTILIZER PLANT. THERE ARE SEVERAL OTHER

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PAGE 02 JAKART 06153 120413Z

LARGE PROJECTS NOT FAR BEHIND THESE, SUCH AS ACEH FERTILIZER, PAPER PULP, AT LEAST TWO PETROLEUM REFINERY PROJECTS AND BONTANG LNG EXPANSION.

3. A VARIETY OF FACTORS HAS SLOWED PROGRESS ON THESE PROJECTS BUT ONE WHICH BARDACH MAY WANT TO DISCUSS WITH EXIM CHAIRMAN CONCERNS FINANCING ARRANGEMENTS. BECAUSE

GOI SEEKS TO KEEP DEBT SERVICE RATIO WITHIN MANAGEABLE LIMITS, OFFICIALS HOPE TO STRUCTURE SEVERAL OF THESE PROJECTS IN SUCH A WAY AS TO BE ABLE TO RAISE CAPITAL FOR THEM WITHOUT OFFICIAL LOAN OR GUARANTEE. AS AN EXAMPLE OF SUCH AN ARRANGEMENT, GOI WOULD SPIN-OFF NEW COMPANY (PERHAPS JOINT VENTURE) FOR BONTANG LNG EXPANSION WHICH COULD BE RESPONSIBLE FOR LINING UP FINANCING. INSTEAD OF GOI CONTRACTING LOAN OR ISSUING GUARANTEE, COMPANY MIGHT BORROW ON ITS OWN BEHALF, PLEDGING AS COLLATERAL FOREIGN EXCHANGE EARNINGS UNDER LONG-TERM SUPPLY CONTRACT WITH JAPAN. AS ANOTHER EXAMPLE, COMPANY OPERATING TINTAN ALUMINA FACILITY MIGHT PLEDGE EARNINGS FROM ALUMINA SUPPLIED UNDER CONTRACT WITH JAPANESE OWNERS OF ASAHAN ALUMINUM SMELTER. THIS IS, IN EFFECT, A NEW TWIST IN FINANCING OF MAJOR PROJECTS AND ALTHOUGH NOT ALL PROJECTS CAN BE STRUCTURED IN THIS WAY, SOME CAN AND EXIM MIGHT BE QUERIED WHETHER IT CAN BE RESPONSIVE IN THESE CASES.

4. ANOTHER NEW TWIST GOI MAY BE USING MORE EXTENSIVELY IN THE FUTURE IS THE GROUPING OF A NUMBER OF SMALLER PROJECTS (\$2-5 MILLION EACH) TO BE FINANCED FROM THE PROCEEDS OF A LARGER LOAN WOULD BE ON THE ORDER OF A LINE OF CREDIT FROM WHICH THE SMALLER ITEMS WOULD BE PURCHASED. BARDACH MIGHT EXPLORE EXIM'S ABILITY TO HANDLE SUCH FINANC IN LIMITED OFFICIAL USE

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PAGE 03 JAKART 06153 120413Z

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5. BARDACH SHOULD ALSO DISCUSS EXIM FINANCING OF FEASIBILITY STUDIES. HE WILL RECALL THAT USAID TURNED DOWN MISSION REQUEST FOR FUNDING FOR FEASIBILITY STUDIES AND STATED THAT EXIM HAD THIS CAPABILITY. MILLION DOLLAR FEASIBILITY STUDY FOR A PAPER PULP PROJECT IS IN THE OFFING SO WE NEED TO KNOW WHETHER US COMPANY THAT MAY BE ASKED TO BID COULD QUALIFY FOR EXIM FUNDING.

6. BARDACH WILL ALSO RECALL HOW IMPORTANT IT IS FOR US PENETRATION OF INDONESIAN MARKET TO GAIN RELIEF FROM \$200,000 FCIA LIMITATION ON CREDIT INSURANCE FOR INDONESIA. MASTERS

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
**Concepts:** MEETINGS, BANKERS, DEVELOPMENT PROGRAMS  
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**Copy:** SINGLE  
**Draft Date:** 12 may 1978  
**Decaption Date:** 20 Mar 2014  
**Decaption Note:** 25 YEAR REVIEW  
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